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FM AMEMBASSY BRASILIA
TO RUEHC/SECSTATE WASHDC 0801
INFO RUEHAC/AMEMBASSY ASUNCION 6498
RUEHBU/AMEMBASSY BUENOS AIRES 5221
RUEHLP/AMEMBASSY LA PAZ 5859
RUEHMN/AMEMBASSY MONTEVIDEO 7164
RUEHSG/AMEMBASSY SANTIAGO 0085
RUEHRC/AMCONSUL RECIFE 7577
RUEHRI/AMCONSUL RIO DE JANEIRO 5659
RUEHSO/AMCONSUL SAO PAULO 1433

UNCLAS SECTION 01 OF 03 BRASILIA 000041

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FOR WHA, WHA/BSC, AND INL

E.O. 12958: N/A

TAGS: [PGOV](#) [KCRM](#) [KCOR](#) [KDEM](#) [BR](#)

SUBJECT: BRAZIL: LITTLE HOPE OFFERED ON INTERNATIONAL ANTI-CORRUPTION DAY

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¶11. (U) Summary: In commemoration of International Anti-Corruption Day, the regional office of the United Nations' Office on Drugs and Crime together with the University of Brasilia sponsored a roundtable with senior Brazilian government officials from the judicial and legislative branches, media members, academics, and civil society leaders to discuss the status of corruption in Brazil and the fight against it. The panelists offered a mixed picture of Brazil's struggle, with some offering praise for the steps Brazil has taken in the last few years while others focused on the persistent challenges Brazil faces. A few positive signs emerged from the roundtable, but overall the picture remains bleak. In addition to pointing a finger at the usual suspects--self-interested politicians, systemic inefficiencies, an unhelpful private sector--perhaps surprisingly, panelists cast blame on an apathetic Brazilian public for tolerating the current level of corruption. End Summary.

The Government's View: More Aggressive than Ever

¶12. (U) On December 10, poloff attended a roundtable on corruption sponsored jointly by the regional office of the United Nations' Office on Drugs and Crime (UNODC) and the University of Brasilia (UnB). Panel participants included a broad range of government officials and representatives from the media, academic, and civil society spheres: Comptroller-General of Brazil (CGU) Jorge Hage; Superior Court (STJ) Justice Gilson Dipp; Federal Deputy and leader of the Congressional Anti-Corruption Caucus Paulo Rubem Santiago (PDT, Democratic Labor Party, government coalition; of Pernambuco); highly influential O Globo commentator Miriam Leitao; UNODC's Giovanni Quaglia; UnB Professor Ricardo Caldas; "Instituto Ethos de Responsabilidade Social" (a private sector institute created to fight corruption) President Ricardo Young; Gil Castelo Branco of "Contas Abertas" (an anti-corruption NGO); Juliette Gaasenbeek of the Christian Movement against Corruption (CRISCOR), and Joao Geraldo Piquet Carneiro, president of the Helio Beltrao Institute (a good governance NGO), who moderated the roundtable.

¶13. (U) Making the government's case, Comptroller-General Hage asserted that corruption is fought vigorously in Brazil.

According to Hage, "there is no scientific evidence that corruption is increasing." Rather, perception of it is on the rise because there are more investigations than ever. One aspect of the government's fight against corruption that is not well publicized because it does not lead to court cases, according to Hage, is the 1500 public officials who have suffered some form of administrative punishment. (Note: A December 9, 2007 article in "Correio Braziliense" reported the figure as 1,382. End note.)

¶4. (U) According to Hage, the government made a decision in 2003 to strengthen the government's instruments to fight corruption. These measures included beefing up the CGU and the Tribunal de Contas da Uniao (TCU - the government's accounting and auditing office), placing a comptroller in each government entity, establishing an anti-money laundering lab within the Ministry of Justice and formulating a national Strategy to Combat Money Laundering (ENCLA), and opening the government's books to the independent Public Ministry (the constitutionally established autonomous body of prosecutors).

Under this government, according to Hage, the Federal Police was given a free hand to investigate corruption and has undertaken over 400 anti-corruption operations over the last few years. It also established a transparency portal on the internet (www.portaltransparencia.gov.br) that purports to track all government expenditures by the federal government. For Hage, this government has been more open and transparent than any previous government.

Others Beg to Differ

¶5. (U) Most of the other participants at the roundtable took a less sanguine view of the challenges Brazil faces. According to Federal Deputy Santiago, Brazil continues to

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tolerate corruption at all levels. The problem is particularly acute in the states. There is little transparency at the state level, and since more than 70% of state funds come from federal transfers, it does not matter how much the federal government keeps its accounts clean, corruption will persist.

¶6. (U) The federal budget process also needs to be reformed, particularly earmarks, which often go to finance enrichment schemes for Members of Congress. According to Santiago, many NGOs are a faade for corruption, and there is little oversight of them. It is common practice among federal deputies to set up NGOs and staff them with family members and associates and then include earmarks in the federal budget for them. Santiago stated that any effort at reducing corruption has to include more transparency in the budget and greater oversight of NGOs. (Comment: a CPI, or special congressional investigative committee, was convened last year to investigate NGOs, but has not finished its work. Post will report on the CPI's work septel. This high-profile problem adds an additional hurdle to efforts to encourage the GOB to work more with NGOs. End Comment.)

¶7. (U) Santiago called for curtailing or altogether ending the "foro privilegiado," a privilege granted to all Senators and Federal Deputies, state governors, and most high-level executive and judiciary branch officials, which entitles them to have any accusations against them heard by either the Federal Supreme Court (STF) or the Superior Court of Justice (the highest appellate court on non-constitutional matters). As both courts are severely backlogged, the cases take years to be decided. Unless the "foro privilegiado" is drastically curtailed, Brazil will not be able to do much about corruption, Santiago said. (Comment: according to the Associacao dos Magistrados Brasileiros, in 2006 the STF rendered judgments on 110,284 cases in 2006, and STJ 262,343. End comment.) In one recent case, as an eight-year process against a member of congress in the "foro privilegiado" drew

to a close with the finding almost certainly against the member, the deputy in question resigned, which automatically moved the case back into the regular court system, where it was to begin from scratch.

Private Sector Also a Factor, But is it Taking Responsibility?

¶8. (U) For O Globo's Leitao, a missing element in the fight against corruption is the private sector. She decried what she called the complicit role of corporations that complain to her about solicitations for bribes, while doing little to stop it--such as recording phone calls. The private sector representative, Young from Instituto Ethos, partly agreed with Leitao, but added that the private sector is taking action. In 2005, the entrepreneurial sector banded together and launched the "Corporate Pact for Integrity and Against Corruption," which currently has 1,289 companies and other entities as signatories, as well as a website (www.empresalimpa.org.br). Signatories participate in seminars on private practices to discourage corruption and agree to abide by the pact's guidelines which, according to Young, were praised by World Economic Forum as one of the best such documents produced by the private sector anywhere in the world.

Civil Society Missing

¶9. (U) Despite public opinion polls that consistently show that combating corruption is one of the issues that registers atop the list of concerns for Brazilians, Castelo Branco claimed that in the corruption debate, "society is the missing element", as it is simply not mobilized against corruption. His organization, "Contas Abertas", was started two years ago to help change this, but it remains an uphill struggle. UnB's Caldas cited polls reinforcing Castelo Branco's points. He cited a poll of Federal District residents showing that 25% claimed to have directly participated in corrupt acts. Furthermore, according to Caldas the general public's lack of civic involvement is a widespread phenomenon not limited to the issue of corruption.

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According to the same poll only 7% of those polled claimed they participated in some community or civil society organization.

Much Work to be Done

¶10. (U) There was wide consensus among the group on the persistence of corruption in Brazil, even if there was divergence on whether the trend was improving or worsening. Participants cited a number of reasons to be pessimistic. Castelo Branco cited a "Correio Braziliense" headline from that day's paper discussing the long delays in resolving cases of corruption and misappropriation of funds handled by the TCU. These often take between 5-10 years to resolve, and in almost 200 cases took between 10-18 years. Another participant cited a recent TCU finding that 33% of the audited projects funded by the government's key infrastructure initiative, the Accelerated Growth Program (PAC), contained enough irregularities to merit halting the projects.

¶11. (U) Federal Deputy Santiago called attention to proposals the anti-corruption caucus he heads has made before the Chamber leadership. Some of these include limiting the scope of the "foro privilegiado"--which currently goes into effect even on accusations related to events prior to the accused official's public service--imposing harsher penalties for acts of corruption, calling for greater

transparency and greater access for the public of government data on spending, forcing government agencies to divulge its expenditures over the internet in real time, prohibiting private parties from gaining public contracts for 15 years, and establishing specialized courts to deal with corruption cases. Unfortunately, noted Santiago, despite a commitment from the Chamber leadership, no action has been taken on the proposals.

Comment:

¶12. (SBU) Despite consensus on the consequences of rampant corruption--loss of confidence in government institutions, erosion of faith in democracy, costs to the economy, etc.--and the measures needed to reduce corruption, the roundtable did not leave much ground for optimism. Clearly, perception of corruption among the public has not changed much over the last several years, or has worsened (Brazil's ranking in Transparency International's perceptions index has fallen from 62 to 70 to 72 over the last three years). Whether that is despite of or because of what the government claims is their more aggressive approach remains in dispute. What is not in dispute is that any credit the Lula government deserves for its anti-corruption actions--the transparency portal, administrative actions against government employees, giving free hand to the Federal Police--is undermined by scandals that have stained the PT's image as the anti-corruption party. Unrelenting coverage of political scandals and lack of action on anti-corruption proposals will continue to reinforce the public's cynicism and belief that the corruption problem is intractable, which will impede the already difficult task of mobilizing society to demand actions from the government. Such mobilization seems to be the essential, but as yet missing, component of an effective effort to reduce corruption and impunity in Brazil.

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